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SWNCC COUNTRY STUDY ON
LONG-RANGE ASSISTANCE TO EGYPT

SUMMARY

14 August 1947

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LONG-RANGE ASSISTANCE TO EGYPTSUMMARYI. ANALYSIS OF THE SITUATION IN THE COUNTRY

Although Egypt's basic economic and political structure was not seriously affected by the war, there are several outstanding economic, financial and political problems which Egypt must solve if she is to assure her political stability and economic prosperity.

Egypt's immediate economic objectives are (a) to eliminate the poverty of the majority of the population and assure more equitable distribution of the nation's wealth; (b) to promote her foreign trade, chiefly her cotton exports; (c) to balance her predominantly agricultural economy by fuller industrialization; (d) to finance and secure necessary foreign capital and technical assistance for developmental projects, public works, public health, education and social welfare.

Egypt also has several financial objectives, chief of which are (a) liquidation of a L.E. 450 million sterling balance acquired through war expenditures of the British in Egypt; (b) stabilization of the Egyptian pound, specifically the acquisition of additional gold cover; (c) bringing the National Bank of Egypt under fuller Egyptian, as opposed to British, control; and (d) improvement of the Egyptian exchange control mechanism.

A primary consideration in realizing these aims is the achievement of political stability in the country, the government being currently plagued by an undercurrent of restlessness arising from extreme poverty of the lower classes, maldistribution of wealth and inflated prices, refusal of Egypt's leading party, the Wafd, to cooperate with the Government, as well as the activities of the Communist Party in fanning embers of class hatred among the lower sections of the population.

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Egypt's principal preoccupation in foreign affairs is her dispute with Britain over revision of the 1936 Anglo-Egyptian Treaty and the status of the Sudan.

Britain seems willing to withdraw the main body of her troops from Egypt to another base (possibly Kenya), but for military and political reasons would be reluctant to withdraw lesser installations along the Suez Canal unless and until assured of bases in Palestine and Cirenaica.

Egypt maintains a consistent interest in the Palestine, Libyan and North African questions both direct and through the Arab League in which it plays a leading role.

In Egypt itself, the French, Greeks and Soviets are active, the French concentrating on cultural influence to extend their economic and political ties, the Greeks active in commerce and the Soviets following a guarded but vigorous policy of promoting class consciousness, anti-British and anti-American sentiment and spread of Communist ideology.

II. ANALYSIS OF ASSISTANCE ALREADY RECEIVED

The United States has given no direct aid except for the sale of surplus property (\$7.9 million in 1946) and no large-scale assistance is anticipated.

III. UNITED STATES OBJECTIVES IN THE COUNTRY

The United States desires to encourage Egypt's independent development and to maintain our historically friendly relations. Maintenance of Egypt's security and integrity and safeguarding U.S. strategic interests is a foremost consideration and should be accomplished in so far as possible through support of and co-operation with the British.

Egypt should be encouraged to support and utilize the United Nations and allied international organizations. Her sound internal development along democratic lines should be encouraged, possibly with American technical assistance.

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While it appears unlikely Egypt will be able to liquidate her large sterling balance without considerable scaling down and delay, there is every reason to assume that Egypt's requirements of foreign capital may be financed through private channels or international lending agencies. There thus appears no need for extensive American financial aid.

V. MAGNITUDE, NATURE AND TIMING OF THE MEASURES REQUIRED WITHIN THE NEXT THREE TO FIVE YEARS TO REACH THESE OBJECTIVES

The extent of measures required within the next three to five years will depend upon the availability of funds and development of Egypt's internal and international situations.

VI. PROBABLE AVAILABILITY OF ECONOMIC AID FROM EXISTING SOURCES UNDER PRESENT POLICIES

Since Egypt is in a sound position with respect to internal and external debt and has established a cumulative surplus of L.E. 68 million to finance a portion of her five-year postwar development program, it should be able to finance its economic development, with the possible assistance of the International Bank or Eximbank in financing specific well-planned projects. The Monetary Fund can assist in promoting exchange stability in meeting short-term maladjustments in balance of payments.

VII. ADDITIONAL MEASURES REQUIRED FROM THE UNITED STATES

None.

VIII. NATURE OF ARRANGEMENTS WITH THE FOREIGN GOVERNMENT TO ASSURE ACCOMPLISHMENT OF OUR OBJECTIVES IN TAKING SUCH MEASURES

None.

IX. EFFECT UPON THE COUNTRY AND UPON THE U.S. FOREIGN POLICY IN U.S. REFUSAL TO GRANT AID OR OF FAILURE OF PROGRAM UNDERTAKEN

U.S. program of technical assistance as well as prestige and influence of the United States would be jeopardized if the OIC program were reduced.

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X. POSSIBLE EMERGENCY SITUATIONS WHICH SHOULD BE ANTICIPATED
AND RECOMMENDED COURSE OF ACTION

Emergency situations might arise from the following occurrences:

1. Russian hostilities.
2. Arab uprising growing out of pro-Zionist solution of Palestine problem.
3. Popular revolt due to possible failure of UN to reach satisfactory solution of Anglo-Egyptian dispute.

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